

[REDACTED]
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[REDACTED]
[REDACTED]
MAY 20 1981

2. Attention

have considered your application for exemption from Federal income tax. In conversation with [REDACTED] on [REDACTED], we are returning this letter on consideration for exemption under section 501(c)(4) of the Internal Revenue Code. As was discussed in the conversation this section of the Code would be the one that most closely describes activities conducted by your organization rather than section 501(c)(2), as indicated on your application.

Your application submitted discloses that you were incorporated [REDACTED] under the nonprofit laws of the State of [REDACTED]. Your purposes, as stated, are to administer the operation and management of the [REDACTED] and to levy and collect assessments from members to defray the Union expenses.

Section 501(c)(4) of the Internal Revenue Code provides exemption for:

"clubs, leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare..."

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides:

"An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the good and general welfare of the people of the community. The organization embraced within this section is one that is operated primarily for the purpose of bringing about social or community improvements."

[REDACTED]

A social welfare organization must benefit the community as a whole. Benefits to the community are incidental since you operate primarily for the private benefit of your individual members.

Revenue Ruling 74-17, 1974-1, C.B. 130 is attached. This ruling held that a condominium housing association, formed by the unit owners to provide for the management, maintenance, and care of common areas of the building and funded by membership assessments paid by the unit owners, does not qualify under section 501(c)(4) of the Code.

On the basis of the information submitted, we conclude that you are not exempt from federal income tax under Code section 501(c)(4). You are required, therefore, to file federal income tax returns on Form 1120.

Although you do not qualify for exemption under section 501(c)(4) of the Code, you may qualify for treatment under section 528, which is applicable to homeowners associations. The Internal Revenue Service is not settled on the question of whether homeowners associations qualify for treatment under section 528, and there are no application forms to be filed. If you believe you qualify for such treatment, you should file Form 528.

If you do not agree with our conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and arguments that clearly sets forth your position. If you desire an opportunity to be heard, you must indicate this in your protest. The instructions on Form 892 given instructions for filing a protest.

If you do not file a protest with this office within 30 days of the date of this report or letter, this proposed determination will become final.

If you have any further questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely yours,

[REDACTED]
District Director